

Agenda Date: October 25, 2012
Item Number: B1
Docket: **TG-121484**
Company Name: Waste Management of Washington, Inc., G-237, dba Brem-Air Disposal

Staff: Mike Young, Regulatory Analyst

Recommendation

Issue a Complaint and Order Suspending the Tariff Revisions filed by Waste Management of Washington, Inc., dba Brem-Air Disposal on September 10, 2012, and allow a \$1.01 per month credit for single family customers and a \$0.17 credit for multi-family customers to become effective on November 1, 2012, on a temporary basis, subject to refund or credit.

Discussion

On September 10, 2012, Waste Management of Washington, Inc., dba Brem-Air Disposal (Brem-Air or company) filed with the Washington Utilities and Transportation Commission (commission) revisions to its currently effective Tariff No. 20, designated as 10th Revised Page No. 2, 6th Revised Page No. 22, and 5th Revised Page No. 25. The stated effective date is November 1, 2012. The company serves approximately 469,000 residential customers and 78,000 multi-family customers in Kitsap County.

Brem-Air proposes to decrease the amount it pays to customers for the revenue the company receives from the sale of recyclable materials that the company collects in its residential recycling collection service. The monthly amount for single family customers would change from a \$1.42 payment to a \$0.28 charge, a \$1.70 per month net increase in cost; the amount for multi-family customers would change from a \$0.16 payment to a \$0.03 charge, a \$0.19 per month net increase in cost.

Prior to November 2011, Brem-Air used SP Recycling¹ to process and sell the recyclable materials that the company collects in its residential recycling collection service. In November 2011, SP Recycling went bankrupt and Brem-Air switched to JMK Fibers, LLC² (JMK). Waste Management of Washington, Inc., subsequently acquired JMK in January 2012, which makes JMK an affiliate of Brem-Air.

The company projected it would receive \$733,000 from commodity sales for the plan period September 2011 through August 2012, but reported actual receipts of \$262,000. The decrease is due to two factors. First, the revenues Brem-Air received from JMK for the sale of recyclable commodities were significantly lower than the revenues historically received from SP Recycling. Although the market value of recyclable commodities decreased during the plan year, staff believes the cumulative decrease in revenues may be excessive and requires more investigation. Second, JMK, a Brem-Air affiliate, paid Brem-Air a “net” amount for the sale of recyclable materials that subtracted hauling and “load out” costs from the revenue JMK received for the

1 SP Recycling Corporation, a wholly owned subsidiary of SP Newsprint, LLC, headquartered in Atlanta, Georgia.
2 JMK Fibers, LLC; currently Waste Management of Washington, Inc. dba WM-JMK Fibers.

sales of recycling commodities. The practice of an affiliate subtracting operating costs from the revenue received from the sales of recyclable materials before the affiliate pays the regulated solid waste collection company is an issue in several pending adjudications³ before the commission.

Decreasing revenue from the sale of recyclable materials affects the deferred accounting calculation of the commodity adjustment to true-up the 2011-2012 plan period and to project revenue for the 2012-2013 plan period. The proposed decrease from a \$1.42 payment to a \$0.28 charge is a \$1.70 per month net increase in cost to single family customers, and the proposed decrease from a \$0.16 payment to a \$0.03 charge is a \$0.19 per month net increase in cost for multi-family customers. Using 100 percent of the revenue that the affiliate received from the sale of recyclable material to calculate the recycling commodity adjustment results in a \$1.01 per month payment, or a \$.69 per month net increase in cost, for residential customers, and a \$0.17 per month payment, or a \$0.01 per month net decrease in cost, for multi-family customers. Staff recommends that the commission suspend the proposed changes, but allow revised commodity credits based upon 100 percent of the revenue that the affiliate received from the sale of recyclable materials. Staff recommends that the commission suspend the proposed \$0.28 per month commodity debit (charge) for single family customers, but allow a \$1.01 per month commodity credit (payment) to become effective on a temporary basis, subject to refund, and suspend the proposed \$0.03 per month commodity debit (charge) for multi-family customers, but allow a \$0.17 per month commodity credit (payment) to become effective on a temporary basis, subject to refund.

RCW 81.77.185 states that the commission shall allow a solid waste collection company collecting recyclable materials from residential single family and multi-family customers to retain "up to fifty percent of the revenue paid" to the company for the material if the company submits a plan to the commission that is certified by the appropriate local government authority as being consistent with the local government solid waste plan and that demonstrates how the revenues will be used to increase recycling. The remaining revenue must be passed through to residential single and multi-family customers. Brem-Air does not participate in revenue sharing, therefore all receipts from the sale of commodities must be returned to customers.

Conclusion

Staff has not yet completed its review of Brem-Air's records or of the affiliate transactions with JMK. Therefore, staff recommends that the commission issue a Complaint and Order Suspending the Tariff Revisions filed by Waste Management of Washington, Inc., dba Brem-Air Disposal on September 10, 2012, and allow a \$1.01 per month credit for single family customers and a \$0.17 credit for multi-family customers to become effective on November 1, 2012, on a temporary basis, subject to refund or credit.

³ TG-111681, Mason County Garbage Co., Inc.; TG-111672, Murrey's Disposal Company, Inc.; TG-11674 American Disposal Company, Inc.